

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 RSC-01

CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 CIAE-00

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DODE-00 PA-01 USIA-06 PRS-01 /080 W

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R 070829Z FEB 75

FM AMEMBASSY MOSCOW

TO SECSTATE WASHDC 6979

INFO USDOC WASH DC

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E.O. 11652: GDS

TAGS: ETRD, EEW, ENRG, UR

SUBJECT: TRW DIVISION MAKES SECOND MAJOR SALE OF PUMPS

1. REDA PUMP DIVISION OF TRW SIGNED DOLLARS 17 MILLION CONTRACT WITH SOVIETS FEBRUARY 6 FOR AN ADDITIONAL SHIPMENT OF SUBMERSIBLE PUMPS. AS DESCRIBED BY COMPANY REPS TO COMMERCIAL ATTACHE, LATEST REDA CONTRACT PROVIDES ENCOURAGING SIGN THAT SOVIETS INTEND CONTINUE SUBSTANTIAL PURCHASES OF U.S. EQUIPMENT DESPITE LACK OF CREDIT FACILITIES. AT SAME TIME, HOWEVER, EXPERIENCE OF LATEST REDA NEGOTIATIONS DEMONSTRATES LIMITATIONS ON THIS PROCESS.

2. ACCORDING TO REDA REPS, OUTLINES OF LATEST CONTRACT HAD BEEN GENERALLY AGREED DURING DECEMBER AND SOVIETS HAD INDICATED THAT THEY INTENDED USE EX-IM FINANCING FOR THIS PURCHASE, AS THEY HAD DONE IN CASE OF PREVIOUS CONTRACT WITH REDA. IN LIGHT UNAVAILABILITY EX-IM LOANS SOVIETS AGREED PAY CASH. THEY ADVISED REDA, HOWEVER, THAT MAXIMUM ALLOCATION FOR THIS CONTRACT, AT LEAST THROUGH NOVEMBER 1975 WHEN ALL DELIVERIES SHOULD BE COMPLETED, WAS DOLLARS 17 MILLION. THIS NECESSITATED A SUBSTANTIAL SCALING

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DOWN OF VOLUMES OF EQUIPMENT IN ORDER TO BRING TOTAL VALUE

OF CONTRACT UNDER THIS LIMIT.

3. COMMENT: IN EMBASSY'S VIEW, REDA'S EXPERIENCE INDICATES THAT SOVIETS WILL BE PREPARED TO MOVE TO CASH PAYMENT ON AT LEAST SOME OF THE PROJECTS INVOLVING U.S. COMPANIES FOR WHICH THEY HAD EARLIER HOPED TO USE EX-IM CREDITS. ANOTHER CASE IN POINT IS ROCKWELL INTERNATIONAL ARTIFICIAL FUR PLANT (DOLLARS 23 MILLION), CONTRACT FOR WHICH IS READY FOR SIGNATURE, WHICH SOVIETS HAD DEFINITELY PLANNED FINANCE UNDER EX-IM. (COMMENT: COMMOFF UNDERSTANDS THAT MAJOR PROBLEM ON ROCKWELL DEAL IS ON U.S. SIDE AND REFLECTS FACT THAT BETWEEN TIME NEGOTIATIONS WERE STARTED AND PRESENT, ROCKWELL WAS OBLIGED UNDER CONSENT DECREE TO SELL ITS WALDMANN-JACQUART DIVISION TO HAYES-ALBION. THIS DIVISION IS SLATED SUPPLY DOLLARS 12 MILLION OF EQUIPMENT. END COMMENT) NEXT MAJOR TEST OF SOVIET READINESS SHIFT FROM CREDIT TO CASH PAYMENT WILL COME IN CASE OF GOULD INC. NEGOTIATIONS FOR ENGINE HALF-BEARING PLANT (DOLLARS 47 MILLION), ON WHICH VIRTUAL AGREEMENT WAS REACHED BY END OF 1974. GOULD TEAM DUE ARRIVE MOSCOW FEBRUARY 20.

4. REDA EXPERIENCE ALSO INDICATES, HOWEVER, THAT THERE ARE LIMITATIONS ON SOVIET WILLINGNESS PAY CASH FOR U.S. EQUIPMENT, EVEN WHEN IT IS DESTINED FOR HIGH-PRIORITY SECTOR SUCH AS OIL INDUSTRY. HAD EX-IM BORROWING FACILITIES BEEN AVAILABLE, REDA SALE WOULD HAVE BEEN SUBSTANTIALLY LARGER. AS IT IS, COMPANY MAY END UP WITH TWO CONTRACTS APPROXIMATELY EQUAL TO WHAT THEY MIGHT HAVE SOLD AT ONE SHOT.

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## Message Attributes

**Automatic Decaptoning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** GOVERNMENT PROCUREMENT, PUMPS, TRADE AGREEMENTS, BANK LOANS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 07 FEB 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** GolinoFR  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975MOSCOW01714  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
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**Office:** ACTION EUR  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
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**Page Count:** 2  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** GolinoFR  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 11 JUN 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <11 JUN 2003 by BoyleJA>; APPROVED <12 JUN 2003 by GolinoFR>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
05 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** TRW DIVISION MAKES SECOND MAJOR SALE OF PUMPS  
**TAGS:** ETRD, EEW, ENRG, UR, US, TRW, XMB  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006